

Holly farms

Countries



Holly farms strategy Introduction In order to revive profits and save themselves from bearing heavy losses, Fred and Gillian Giles had opened a two purposed farm for the general public in 1993. Their ambitious goal had let them to put in all their savings to establish facilities on the farm which would entertain the tourists. This side of the business was apart from the usual farming being carried out which included the distribution of ice cream which was manufactured behind the farm in a small factory, a milking parlor to see the latest technology being used to milk the cows and an additional guided tour of the farm.

Even though the business is currently running reasonably well, the owners are facing some serious issues related capacity constraints and competition. Answers Answer 1: There is a no. of issues which Gillian Gales is facing in her side of the business. These issues include the fact that in order to grow the Holly Farm's business, it is not possible for the owners to add additional capital. They have already invested a lot of money and any additional capital available to them will be in terms of a loan.

However, the interest rate on the loan is expected to be above ten percent which would not make it feasible since the owners are not expecting to earn that high a return on their investment in order to pay the interest and the principal amount. Other issues which Gillian needs to take notice of include the fact that the ice-cream factory is not operating at full capacity, the freezer which has a capacity to hold 10, 000 units is operated at 7000 units' storage to allow for stick rotation.

The lack of preservatives used in the ice-cream would also be a factor in this regard where the inventory needs to move out of the factory within 6-12

weeks. This factor would be driving down retail sales to shops and hotels which might be interested in stockpiling the ice-cream for their peak periods (since Gillian is not in a position to increase production for them at that time). Gillian also needs to decide whether to promote coach firms or market to families and schools for trips to their farm.

Gillian mentions that on average one out of two coach customers' buys one liter box of ice-cream while a four occupant car buys the same amount. This data, though a good starting point, would not allow for proper decision making since data on how many a coach normally holds. Also the use of averaged data is not advisable when making decisions as to who the target market would be for the coming year.

There is also a need for extra staff by the farm, currently the ice-cream manufacturing employs farm workers' wives (three) and a maximum of four flavor can be produced given the time constraints and the set up time (to change flavors). Since capital investment is not possible at this time, Gillian would need to hire more staff for ice-cream manufacturing if she plans to increase the number of flavors to ten, analysis and accurate forecasting of what quantities of flavors to produce would also be required if the number of flavors is to be increased.

Market researches as to which flavors are being demanded by the customers would also be required and could help eliminate the need to expand to ten flavors outright, but this is currently not being undertaken by Gillian. The lack of promotional activities by Gillian has seen the number of arrivals to the farm cap at 15000 a year; this situation is being ignored as Gillian is

concentrating more on expanding the manufacturing side, now she needs to take a more active approach to increasing the traffic at the farm.

The issue of farm timings not being conducive to picnics and factory visits (20% of the customers leave before the milking process) and this very fact that many visitors are unable to see the milking process is also one which would be driving lower ice-cream sales and needs to be looked into by Gillian. Answer 2: To increase the number of farm visitors by 50% in a single year is a almost unachievable goal that Gillian has set for herself. Although it is possible that the number be increased, but going from 15000 visitors to 22500 visitors is not a small task which can be achieved in the duration of a single year.

This is due to a number of factors which, for Gillian, would be constraints in achieving this growth target. These factors include: 1. The fact that the farm is open to visitors for 7 months in a year, during the remaining months the animals are kept inside and the rides etc available to customers are not safe due to the weather situation. This is a limit which Gillian would be unable to surmount in a single years time without capital investment into building sheds and indoor facilities etc at the Holly Farm. 2.

Another time constraint is the fact that Gillian and Fred found that keeping the farm open for more than the four days it is already open (Friday to Monday) is not feasible due to the low traffic during the remaining days. Also the farm workers would not be free during the three days of the week (they would be involved in the " real" farm work), so the only way to keep the farm open the entire week is through hiring extra staff which could only be

justified and feasible if Gillian were able to confirm attendance/traffic at the farm during these days via school trips etc.

The weekend is the peak period for Holly Farm and it is unlikely that working individuals would be willing to take farm trips during work days. The sales forecast for 1999 shows that Gillian has prepared is highly presumptuous given that she has yet to decide how she would be increasing the number of customers on the farm. Whether she wishes to bring in more customers through coach firms or target the family and recreational travelers (who come by car).

With coach firms Gillian would most likely have to offer discounts on the farm visits to the coaching firms to plan trips or revert to her old marketing tactics of giving lectures at schools and institutes and market her farm herself. The decision on whether or not to engage with coaching firms is not possible at this time because the number of passengers on each coach has not been identified, thus one cannot calculate the profits to be had from the sales of ice-cream and other produce along with the admission fees (with or without the discounts).

Even if the averaged figure of one-liter ice-cream sale per two coach passengers is taken to be reliably accurate without the number of potential customers coming through the coach trips, and via cars for that matter (one liter per four passengers), choice between the options would be more moot point than proper decision making on the part of Gillian. If we were to assume that half the customers come by car and half come via coach trips than promoting coach trips would yield more benefits in terms of ice-cream

sales as $* 7400 \text{ coach trips}/2 = 3700 \text{ liters of sales}$ & $* 7400 \text{ car travelers}/4 = 1850 \text{ liters of sales}$

Given that 13500 liters were sold through the retail shop ($\$27000/\2 (selling price)) this would mean that close to 41% of the sales comes through the customers on the farm. A 50% increase in the number of customers on the farm would lead to sales of \$40,000 only if the number of customers at the farm window also increased by 50% which is a market not being targeted by Gillian, thus the following calculation leading to a figure of \$40,000 would be incorrect as the sales would be lower (higher from the customers on the farm but when including the trend based sales through the farm window the total sales would be lower). $148001.5 = 22200 \text{ customers} * 11100 \text{ coach trips}/2 * \$2 = \$11100$ & $11100 \text{ car travelers}/4 * \$2 = \$5550$ & $\$16650/0.41 = \$40,610$ in sales. School parties and trips could be a good tactic on the part of Gillian as they would ensure higher number of visitors and a larger sale of ice-cream and other products which could be made on the farm. Charging a lower admission fees for parties and retaining the catering of the party would be a good source of income for the farm and has the potential of increasing the traffic at the farm by opening a whole new target market for Holly Farms i. e. party venue.

Gillian should invest some time and effort into undertaking market research into how many schools would be willing to have parties or field trips on the farm (before offering party packages), also information on the customer tolerance for queuing (to watch the milking process) would be beneficial to Gillian in analyzing how to increase the number of customers on the farm because if the customers are not able to watch the milking process and view

this as a deal breaker, they might seek out other sources of recreation and by increasing customers in the short run, Gillian might lose customers in the long run.

Information on the actual number of car visitors vs. those coming through coach trips should be sought before Gillian decides on a course of action.

Answer 3: Before undertaking a decision to increase the number of ice-cream flavors from 4 to 10 Gillian should weight the advantages and the disadvantages of this venture. The first factor which Gillian needs to consider is whether a market exists for ten flavors of ice-cream or not, and whether it is feasible for the farm to be producing ten flavors.

The fact that capital investment is not possible for Holly Farms means that the additional production would be through an increase in the labor force but the overall quantity of the ice-cream produced would still be limited to an inventory level of 7000 liters (which can be held by the freezer). This would mean that the new flavors would be introduced at the expense of the old flavors. This can be an advantage if the customers of Holly Farm are seeking one or two flavors other than those eing offered (market research would be required to confirm this) and that the quantity demanded would allow for greater turnover through either farm or retail sales. Alternatively this venture could lead to unsatisfied customers in cases where the farm could experience stock outs of certain flavors due to the fact that many flavors would be under production. A move to directly offering ten flavors would also create logistical problems as the machines available for production and storing are limited.

The fact that more staff would have to be hired would also increase the cost of production of all ice-creams and that would affect the profits of the ice-cream venture and Gillian would be forced to make another key decision on whether to pass on the increased cost to the customers in the form of higher prices, and risk losing some business, or decrease the profit margins of the same.

Since an increase in volume is only possible if the inventory turnover is greatly enhanced by the introduction of new flavors (which is not certain) the profits for the farm would be on a downward trend if all other factors remain constant and flavors are added to the product offerings.

Since there is no research to suggest that there would be a greater uptake of ice-cream (at retail or farm level) with more flavors, a jump to 10 flavors would be rash and create more problems for Gillian in terms of resource management, forecasting the demand for individual products and overlooking the manufacturing of the same, rather than the advantages Gillian seeks.

Undertaking some degree of market research and exploring one or two additional flavors (based on research findings) whilst maintaining the same level of staff could be more beneficial for Holly Farms and they could expand their flavor offerings over the long run when they have the capacity to increase production or maintain higher levels of inventory. Conclusion

The case under review explores the capacity and resource constraints being faced by a small business which was able to attract customers and diversify into other forms of complementary businesses i. e. tours and ice-cream

retailing. What we find in this case is that Gillian, the partner in charge of the complementary businesses is facing two critical decisions (a) how to increase the number of customers visiting the farm and (b) how to increase the retail sales of the ice-cream.

Since capital investment is not a viable option for the business the means of increasing customer traffic are limited to promotional activities and attracting the right customers for both tours and ice-cream sales. We find that such decisions are not possible with the data available to Gillian at the present time and that the option to increase the number of ice-cream flavors to ten (from four) is also not viable given the manufacturing and storage constraints.

Gillian should therefore seek additional data on the target audience for promotional activities and if she plans to increase the number of ice-cream flavors she should start on a smaller scale after conducting proper market demand research. References [Author of Book] (1999), " Case Study: Holly Farms", [Name of Book], Pp 244-248 Read more: <http://www.ukessays.com/essays/business-strategy/holly-farms-strategy.php#ixzz2DakGnUSm>